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THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF ARIZONA

In Re:	In Proceedings Under Chapter 11
BCE WEST, L.P., *et al.*,	Case Nos. B 98-12547-ECF-CGC through 98-12570-ECF-CGC
Debtors	(Jointly Administered)
EID # 38-3196719	**RESPONSE OF G.E. CAPITAL TO OBJECTION OF OFFICIAL COMMITTEE OF UNSECURED CREDITORS TO MOTION TO EXTEND EXCLUSIVE PERIODS FOR DEBTORS TO FILE AND OBTAIN ACCEPTANCES OF PLANS OF REORGANIZATION**
	Date of Hearing: September 24, 1999
	Time of Hearing: 10:00 a.m.

GENERAL ELECTRIC CAPITAL CORPORATION ("GE Capital"), as Agent for the 1996 Lease Lenders, Administrative Agent for the DIP Lenders, and on its own behalf, submits the following Response to the Objection of Official Committee of Unsecured Creditors to Motion

to Extend Exclusive Periods for Debtors to File and Obtain Acceptances of Plans of Reorganization filed herein.

BACKGROUND

1. On October 5, 1998 (the "Petition Date"), the Debtors filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§ 1101 *et. seq.* (the "Bankruptcy Code").

2. Pursuant to Sections 1107 and 1108 of the Bankruptcy Code, the Debtors are continuing to operate their respective businesses and manage their respective properties and assets as debtors-in-possession. No trustee or examiner has been appointed in the Debtors' Chapter 11 cases.

3. On October 20, 1998 the Official Committee of Unsecured Creditors was appointed pursuant to § 1102(a)(1) of the Bankruptcy Code. The Committee purports to represent unsecured creditors holding approximately $627 million of subordinated bond claims and an undetermined amount of other unsecured claims believed to aggregate several hundred million dollars. In addition to being unsecured, the subordinated bond claims are contractually subordinated to the claims of the 1996 Revolving Lenders and the 1996 Lease Lenders (collectively, the "1996 Lenders").

RESPONSE

4. The pre-petition claims of the 1996 Lenders and the 1995 Lease Lenders aggregate some $275 million. In addition, the Debtors owe approximately $41.0 million to the DIP Lenders. Thus, any plan, whether providing for an acquisition as a going concern, for a liquidation, or for a stand-alone reorganization, would have to generate some $316.0 million of net reorganization value in the form of cash or secured debt before any value would be available to the junior interests represented by the Committee. No realistic alternative comes close to meeting this requirement.

5. The motives of the Committee are transparent. The Committee hopes to use the plan process and the threat of a competing plan, no matter how unrealistic, to obtain leverage to force a diversion of value to junior interests. The Committee has advanced a proposal which it asserts is a "model for a stand-alone reorganization plan." While the Committee suggests that a $70.0 million exit facility might be found in the current market to fund its proposed plan, no specifics are given. The reason, of course, is that such financing would be available only with a priority over the 1996 Lender debt, and would do nothing to solve the need for equity capital (provision for an equity capital investment is conspicuously absent from the Committee's proposal). While, in theory, the Lenders would receive $63.0 million in cash, the result would be a grossly undercapitalized company with a continuing negative net worth. Absent a significant infusion of equity, the scenario being contemplated by the Committee is unconfirmable and unrealistic. A Chapter 11 plan must be based upon a conservative and meticulous valuation standard, *In re Evans Products Co.*, 65 B.R. 870, 876 (S.D. Fla. 1986), and must comply with U.S.C. § 1129(a)(11).

6. The most conspicuous failing of the Committee's Objection is that it is founded on the thought that the 1996 Lenders are irrational. The Committee would have the reader believe that the 1996 Lenders are so dim-witted and myopic that they would voluntarily accept a recovery in the low 20% range rather than even consider the Committee's "superior" proposal. There is simply no reason to suggest that the 1996 Lenders would not accept the highest and best plan that is available, without regard to its sponsor. If a refined version of the Committee's proposal is produced, *i.e.* one that provides for adequate capitalization so that the 1996 Lenders are not being asked to shoulder the entire economic risk (as they have throughout this case), it

should be brought forward as part of the bidding process, in which case it will receive the most careful attention.

7. Unfortunately, however, at this juncture the reader is left with a different impression, namely, that the Committee would like to try to use smoke and mirrors to see what they can squeeze out of the plan process while leaving the entire downside risk (and ongoing funding obligations) with the 1996 Lenders. Under the facts of this case, the argument for opening the plan process is outweighed by the unfairness to the 1996 Lenders of derailing the sale process that they have financed for many months. If, and when, the Committee develops a viable and superior plan it, should be brought forward for consideration by the Debtors and the Lenders.[1]

For the reasons set forth above the Debtors' motion should be granted and the relief sought by the Committee in its Objection should be denied.

RESPECTFULLY SUBMITTED this 22nd day of September, 1999.

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By _____
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[1] In its Objection, the Committee also argues that the right to terminate exclusivity that, over the Committee's objection, was granted to the 1996 and DIP Lenders by the Court in its order entered on May 25, 1999 should be revoked if exclusivity is extended. GE Capital disagrees with the Committee's arguments on this issue. Under the express terms of the May 25, 1999 order, the termination right granted to the 1996 and DIP Lenders remains in effect so long as exclusivity continues.

COPY of the foregoing faxed
this 22nd day of September, 1999, to:

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